



NORTH CAROLINA

Department of Transportation



Board of Directors Finance Committee Meeting North Carolina Turnpike Authority March 1, 2017

Refunding Overview

David Miller

Public Financial Management

Overview of Refunding

- The Triangle Expressway System Senior Lien Revenue Bonds, Series 2009A were issued on July 29, 2009 in a par amount of \$234,910,000
- Purpose of Issue: (i) Finance certain costs of the Triangle Expressway Project; (ii) fund the debt service reserve account; (iii) pay capitalized interest on the bonds; (iv) purchase an Assured Guaranty bond insurance policy; and (v) pay costs of issuance.
- The 2009A Bonds are subject to optional redemption on January 1, 2019 at par
 - \$234,310,000 is eligible for an advance refunding
- NCTA anticipates refunding all remaining callable 2009A Bonds for estimated savings of \$20.8 million or 8.9% of refunded par

Insurance & Debt Service Reserve Fund

- NCTA is considering Bond insurance from Assured Guaranty, the 2009 insurer, to reduce borrowing costs
- NCTA is also seeking a DSRF Surety from Assured Guaranty which would be used to liquidate the cash funded reserve
 - The existing DSRF was funded with cash to the initial Senior Lien Parity Reserve Requirement of \$27,008,311, which equaled 10% of par of the 2009 Bonds
 - Immediately after issuance the DSRF requirement changed to 5-Year MADS on the bonds
 - In tandem with the refunding, a surety may be used to satisfy the reserve requirement, so the DSRF cash funds could be released and used as a contribution into the escrow to reduce the bond size
- Savings analysis and preliminary numbers presented do not incorporate insurance or a DSRF Surety which will only be pursued if proven to be economically beneficial to the transaction

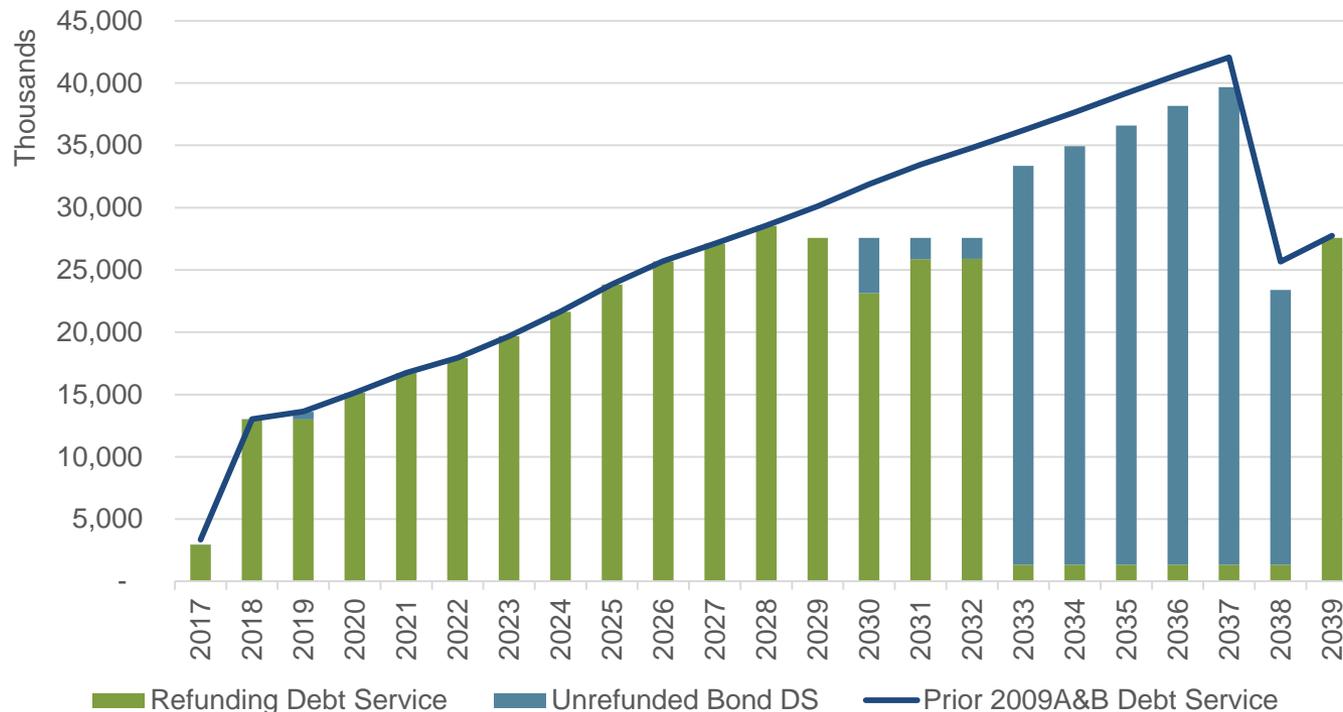
Estimated Sources & Uses

Sources	
Par Amount	230,315,000
Premium	24,267,593
Interest Account Funds on Hand	3,180,517
	257,763,110

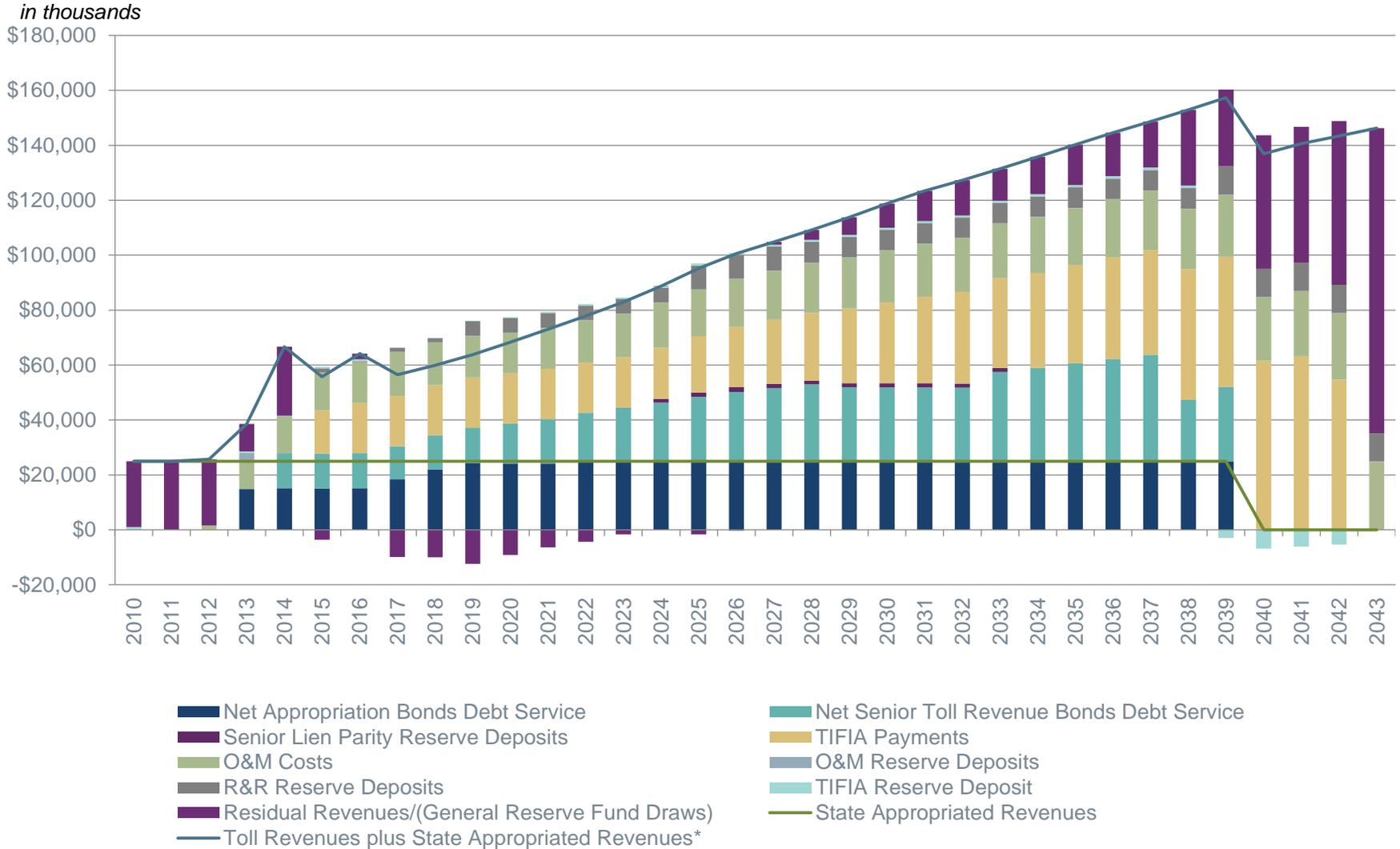
Uses	
Refunding Escrow Deposits	255,686,469
Cost of Issuance	925,066
Underwriter's Discount	1,151,575
	257,763,110

Debt Structure & Savings

- NCTA has opted to structure the refunding to achieve savings on the long end to give the NCTA Board maximum flexibility in the future
 - Cash Flow Savings: \$36 million / 15.4%
 - Adjusted NPV Savings: \$20.8 million / 8.87%



Total Cash Flow Post-Refunding



Refunding Bond Documents

Wally McBride

Hunton & Williams

Refunding Bond Documents

- **Second Supplemental Trust Agreement:**
 - Between the Authority and Wells Fargo as Trustee
 - Amends the original 2009 Trust Agreement and states terms for 2017 Bonds (rate, maturity, etc.) and bond insurance if obtained

- **Escrow Agreement:**
 - Between the Authority and Wells Fargo as Escrow Agent for holders of 2009A Bonds.
 - Proceeds are invested in U.S. Treasury securities to pay interest and principal on 2009A Bonds through redemption date of 1/1/19

- **Bond Order:**
 - Short formula document to be adopted by the Authority as required by Revenue Bond Act

- **Preliminary Official Statement:**
 - Main marketing document for the 2017 Bonds
 - Describes the Project and revenues as security for the 2017 Bonds
 - Includes updates on 2009 Traffic & Revenue Study and discusses new interchanges

- **Official Statement:**
 - After sale the POS is updated with actual 2017 Bond terms and sent to purchasers

Proposed Refunding Schedule

David Roy

NCTA Director of Finance

Proposed Schedule

Date*	Action	Responsibility
	Conference Calls with Rating Agencies	
2/28	10AM – Standard & Poor's 11AM – Fitch Rating	NCTA/FA/T&R
3/1	Special NCTA Finance Committee Meeting- 1:30 PM	NCTA/FA/BC
3/3	Special NCTA Board Meeting – 10:30 AM	NCTA/FA/BC
3/7	Receive credit ratings, insurance premium & surety quote	NCTA/FA
	LGC Meeting – Approval of Refunding	NCTA/FA/BC
TBD	Final POS and Resolution sign off	ALL
	Provide POS & updated cash flow projections to TIFIA	NCTA/FA/BC
3/22	Print/Post POS	UC
3/29	Negotiated Sale	NCTA /UW/FA
3/31	OS draft to working group	UC
	Verification draft to working group	VA
4/3	Final sign off of OS	ALL
	OS to the printer & i-Deal by noon/OS Released	UC
4/11	Pre-Closing	ALL
4/12	Closing	ALL

*Preliminary, subject to change

NCTA	North Carolina Turnpike Authority
BC	Bond Counsel – Hunton & Williams
UC	Underwriter's Counsel - McGuireWoods LLP
UW	Underwriter – Bank of America Merrill Lynch
FA	Financial Advisor – PFM Financial Advisors LLC
VA	Verification Agent – TBD
T&R	Traffic and Revenue Consultant – CDM Smith
ALL	Working Group – All of the above

Resolution and Bond Order

David Roy

NCTA Director of Finance

Resolution and Bond Order

In connection with the application to the LGC, the Board of the Authority hereby makes the following findings:

- The refunding of the Series 2009A Bonds for the reduction of debt service with respect to financings for the Triangle Expressway System and therefore for the overall betterment of the Triangle Expressway System (together, the “*Project*”) is both necessary and expedient.
- The Project is feasible.
- The amount of debt to be incurred in connection with the Project and the fees to be paid in connection therewith are sufficient but not excessive for the purpose intended.
- The Authority has not defaulted on any debt obligation.
- The Authority follows the debt management guidelines of the LGC.
- The anticipated toll revenues, based on both traffic and revenue studies and the actual history of the Triangle Expressway System, will be sufficient to service the proposed Series 2017 Bonds payable therefrom.
- The proposed Series 2017 Bonds may be issued at reasonable rates of interest.

Resolution and Bond Order - Continued

The Authority hereby designates, and requests the LGC approve, to the extent necessary, the following parties working in the following capacities in connection with the Series 2017 Bonds:

Underwriters:

Senior Manager

Bank of America Merrill Lynch

Co-Managers

Citigroup Global Markets, J.P. Morgan Securities
and Wells Fargo Securities

Financial Advisor:

PFM Financial Advisors, LLC

Professional Engineers:

HNTB

Traffic and Revenue Consultants:

CDM Smith

Trustee and Escrow Agent

Wells Fargo Bank, N.A.

Underwriters' Counsel

McGuireWoods LLP

Bond Counsel

Hunton & Williams LLP

Authority Counsel

Ebony Pittman, Esq, of Attorney General's Office

Resolution and Bond Order - Continued

The Board hereby adopts the Bond Order and

- approves issuance of the Series 2017 Bonds to (1) refund certain Series 2009A Bonds, (2) pay costs incurred in connection with the issuance of the Series 2017 Bonds, and (3) if determined to be cost effective and suitable for the needs of the Authority, pay for a surety bond in lieu for funding a reserve for the Series 2017 Bonds which surety may also replace the current reserve for all or part of the Series 2009 Bonds and/or paying the premium for a bond insurance policy for the Series 2017 Bonds;
- approves execution and delivery by the Chairman or other officers or employees of the Authority of the Second Supplemental Trust Agreement, the Bond Purchase Agreement, and the Escrow Agreement in substantially the form presented at the meeting, which are hereby approved
- approves the sale of the Series 2017 Bonds to the Underwriters,
- approves use of the Preliminary Official Statement and the Final Official Statement by the Underwriters for the marketing of the Series 2017 Bonds;
- approves the refunding of the Series 2009A Bonds
- approves all other actions necessary for the issuance of the Series 2017 Bonds and the continued financing of the Triangle Expressway System; provided the specific terms and conditions for such actions and the documentation thereof must be within the limits stated in paragraph 5 hereof and as otherwise approved by the Chairman or other officers or employees of the Authority as hereinafter provided.

Resolution and Bond Order - Continued

Imposes the following limits:

- Final maturity date of Series 2017 Bonds: 1/1/2039
- Maximum aggregate principal amount: \$260,000,000
- Maximum interest rate for Series 2017 Bonds: 6.0 %
- Maximum % of aggregate discount to Underwriters: 0.55%
- Minimum net present value savings: 5.0%

Resolution and Bond Order - Continued

- The Chairman and other officers and employees of the Authority are authorized and directed to take such action deemed necessary and appropriate to accomplish the issuance of the Series 2017 Bonds under the Act and the Revenue Bond Act.
- Reaffirms and ratifies all prior resolutions and actions taken in connection with the issuance of the Series 2017 Bonds and the financing of the Triangle Expressway System.
- Confirms that, pursuant its Toll Rate Policy adopted on September 17, 2008, and resolutions adopted with respect to the Triangle Expressway System on December 20, 2012, June 20, 2013, and August 4, 2016, the Schedules of Toll Rate Adjustments provided by CDM Smith in its letters dated June 5, 2013, and March 31, 2016, are currently being used for percentage rate increases for the Triangle Expressway System.
- Designates and establishes the Authority's tax covenants in the Trust Agreement and the certifications and covenants in the Non-Arbitrage and Tax Certificate delivered upon issuance of the Series 2017 Bonds as its written procedures. The Authority's Director of Finance and Budget is hereby designated as the officer charged to undertake or supervise compliance checks under such written procedures, as they may be supplemented from time to time.
- The Director of Finance and Budget is hereby designated as the officer charged to undertake or supervise regular review for compliance with the continuing disclosure requirements agreed to by the Authority under the Trust Agreement with respect to the Series 2017 Bonds, as they may be supplemented from time to time.
- Requests the LGC to approve the issuance of the Series 2017 Bonds and any other action requiring its approval in connection therewith.